

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO. 3914-05
BILL NO. HS for HCS for HB 1797
SUBJECT: Motor Vehicles; Insurance Database
TYPE: Original
DATE: April 11, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
County Foreign Insurance Fund	\$0	\$0	\$0
Motorist Insurance Identification Database Fund	\$8,748,066	\$8,748,066	\$8,748,066
Highway Fund	\$2,220,075	\$900,900	\$643,500
General Revenue	(\$4,404,171)	(\$4,406,323)	(\$4,407,138)
Total Estimated Net Effect on <u>All</u> State Funds	\$6,563,970	\$5,242,643	\$4,984,428

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Governments	(\$4,374,033)	(\$4,374,033)	(\$4,374,033)

Numbers within parentheses: () indicate costs or losses

This fiscal note contains 6 pages.

FISCAL ANALYSIS

ASSUMPTION

The **Office of Prosecution Services** and the **State Treasurer's Office** assumes this proposal would not fiscally impact their agency.

The **State Public Defender's Office (SPD)** assumes that the number of driving unregistered vehicles would dramatically increase for the indigent accused. In previous responses SPD assumed only 50 to 75 cases would have to be represented and therefore could have been absorbed with existing resources. However, in FY99 the State Public Defender System provided representation in 280 such cases. SPD has assumed this number would at least double. Therefore, SPD requests one (1), part-time, Assistant Public Defender and (1), part-time, Paralegal Investigator to handle the increase caseload. **Oversight** has adjusted costs to adhere to Office of Administration guidelines.

The **Office of State Courts Administrator (CTS)** states that this proposal would create the "Motorist Insurance Identification Database Program Act", which would make it easier for the Department of Revenue to identify uninsured motorists. CTS states there are penalty provisions for violations, as well as vehicle seizure provisions for repeat offenders. CTS assumes that while there may be an increase in the number of cases filed initially, over time, there would be a decrease in the number of uninsured motorists. Therefore, CTS does not anticipate a significant impact on the workload of the judiciary.

Officials from the **Secretary of State (SOS)** assume this proposal would result in rules and regulations to be published in the *Code of State Regulations* and the *Missouri Register*. Estimated costs for printing additional pages would be \$241.00 in FY01. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn. **Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Insurance** assume the proposal would not increase or decrease premium taxes collected, but would affect only the distribution of the revenue collected from premium tax assessments. Based on 1999 premium tax collections of \$145,801,114, 6% would equal \$8,748,066. This amount would reduce General Revenue and County Foreign Insurance Funds by \$4,374,033 each (50/50 split) and the full amount would be credited to the Motorist Insurance Identification Database Fund.

ASSUMPTION (continued)

The **Department of Revenue (DOR)** assumes this proposal changes Section 303.409 as passed in SB19 that was Truly Agreed to and Finally Passed last year. SB19 required mandatory vehicle suspensions to be mailed certified mail. This proposal requires the suspension to be mailed “first class” pursuant to Subsection 303.409.1. The Department of Revenue will use the first class automated pre-sort postage rate of \$0.305 instead of the certified mail rate of \$1.73 for suspension notices. This is a \$1.43 differential in postage cost per suspension notice.

However, the Department of Revenue has not received appropriations to implement the “certified mail” postage requirements as detailed in Senate Bill 19 from last year (Section 303.409.1.) Therefore, this cost avoidance will be addressed in future budget requests and should not be taken from the core appropriation for postage. The Department of Revenue has not received appropriations to implement the Mandatory Insurance Database Program.

Postage costs in any given year is dependent upon the uninsured motorist rate. Therefore, the following projected cost reduction in postage is based on an estimated uninsured rate of 18% for FY01 of motor vehicle registrations, 14% for FY02 of motor vehicle registrations and 10% for FY03 for motor vehicle registrations. Until the mandatory insurance database is operational the uninsured rate cannot be accurately determined. The estimated percentages are based on other states findings when implementing this same type of program. Thus, the following postage cost differential is estimated.

FY01

\$2,220,075 - Postal cost differential (cost avoidance)

FY02

\$900,900 - Postal cost differential (cost avoidance)

FY03

\$643,500 - Postal cost differential (cost avoidance)

Oversight assumes that under current law the cost of certified mailings of vehicle suspensions would be charged to the State Highway Fund. Therefore, this fiscal note identifies the cost avoidance to that Fund.

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<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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**MOTORIST INSURANCE
IDENTIFICATION DATABASE FUND**

<u>Income - Department of Insurance</u>			
Transfer 6% of Premium Taxes	\$8,748,066	\$8,748,066	\$8,748,066

ESTIMATED NET EFFECT ON MOTORIST INSURANCE IDENTIFICATION DATABASE FUND	<u>\$8,748,066</u>	<u>\$8,748,066</u>	<u>\$8,748,066</u>
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HIGHWAY FUND

<u>Cost Avoidance - Department of Revenue</u>			
Certified mail	\$2,220,075	\$900,900	\$643,500

ESTIMATED NET EFFECT ON HIGHWAY FUND	<u>\$2,220,075</u>	<u>\$900,900</u>	<u>\$643,500</u>
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GENERAL REVENUE

<u>Loss - Department of Insurance</u>			
Transfer 3% of Premium Taxes to Motorist Insurance Identification Database Fund	(\$4,374,033)	(\$4,374,033)	(\$4,374,033)

<u>Costs - State Public Defender</u>			
Personal Service (.75 FTE)	(\$19,175)	(\$23,595)	(\$24,185)
Fringe Benefits	(\$5,731)	(\$7,053)	(\$7,229)
Expense and Equipment	<u>(\$5,232)</u>	<u>(\$1,642)</u>	<u>(\$1,691)</u>
Total <u>Costs</u> - SPD	(\$30,138)	(\$32,290)	(\$33,105)

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$4,404,171)</u>	<u>(\$4,406,323)</u>	<u>(\$4,407,138)</u>
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<u>FISCAL IMPACT - State Government</u> (continued)	FY 2001 (10 Mo.)	FY 2002	FY 2003
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COUNTY FOREIGN INSURANCE FUND

<u>Savings - Department of Insurance</u>			
Less Distributions to School Districts	\$4,374,033	\$4,374,033	\$4,374,033

<u>Loss - Department of Insurance</u>			
Transfer 3% of Premium Taxes	(\$4,374,033)	(\$4,374,033)	(\$4,374,033)

ESTIMATED NET EFFECT ON COUNTY FOREIGN INSURANCE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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POLITICAL SUBDIVISIONS

<u>Loss - Less Distributions to Schools</u>	<u>(\$4,374,033)</u>	<u>(\$4,374,033)</u>	<u>(\$4,374,033)</u>
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ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS	<u>(\$4,374,033)</u>	<u>(\$4,374,033)</u>	<u>(\$4,374,033)</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal creates a Motorist Insurance Identification Database Fund. Six percent of revenue derived from the insurance premiums tax will be credited to this fund for the purpose of funding the database. Moneys in the fund will be used for the motorist insurance identification database.

Notice of suspension of motor vehicle registration due to noncompliance with insurance requirements will be sent by first class instead of by certified mail.

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DESCRIPTION (continued)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Insurance
Department of Revenue
Office of the State Courts Administrator
State Treasurer's Office
Office of Prosecution Services
State Public Defender's Office
Secretary of State's Office

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "e" at the end.

Jeanne Jarrett, CPA
Director
April 11, 2000